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TO : Deputy Director (Intelligence)

SUBJECT: Soviet economist's view on alleged forthcoming economic  
crisis in WestSummary

The recently expressed view of the comparatively unknown Soviet economist A. Bechin that a major economic depression may quite possibly begin in the United States "in the next few months" is almost certainly not a position as yet officially accepted by the government of the USSR, and therefore will not be an important factor determining current Soviet foreign policy. Communist dogma does assume that an economic collapse will ultimately occur in the West, however, and the regime may well seriously regard this as one factor tending to improve its relative power position over the long run. Furthermore, the Soviet Union is initiating measures at present to improve the quality of its analyses of capitalist economies, and in the future such analyses may become less dogmatic and more useful to Soviet policy makers.

Details

1. The New York Herald Tribune of 8 October 1955 published an article [redacted] which discussed the views of a Soviet economist, A. Bechin, on the imminence of an economic crisis in the capitalist world. The newspaper article labeled Mr. Bechin as "Russia's foremost economist analyst," and quoted him as having written that a world economic crisis will "quite possibly begin with a new contraction of production in the United States, which should be expected in the next few months." The newspaper article implied that Mr. Bechin was presenting a new or changed view on the imminence of a crisis in capitalist economies.

2. Analysis of the October 1955 issue of Voprosi Ekonomiki, the Soviet economic journal in which the statements of Mr. Bechin were originally published, shows that the newspaper account contains an accurate translation of the author's words. However, available information concerning Mr. Bechin himself, while

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extremely limited, indicates that his importance as a Soviet economist has been exaggerated.

3. If the Soviet regime should accept as an official estimate Mr. Bechin's statement that a world economic crisis might "quite possibly begin ... in the next few months," such acceptance would contain serious implications for future Soviet foreign policy. The theoretical position maintained generally since the war that the initial phases of a world-wide economic crisis of capitalism are imminent (without further definition) seems to be a formulation purposely left vague, since the USSR does not know precisely when a major depression will strike the West. Any change in this formulation which gives a more precise date for the beginning of the economic collapse of capitalism could, if accepted by the regime, significantly alter the Soviet estimate of the world situation and provide a guide to action for its foreign policy.

4. The article by Bechin, however, apparently does not present a "line" officially approved or promulgated by the government. The article is discussive in nature, and seems intended to present Bechin's own thesis to other economic scholars, with the understanding that other scholars may not completely agree, and may offer rebuttals. A more likely statement of the regime's present official position on this subject is found in the lead editorial of the most recent issue of the party journal Kommunist, published about the same time as the Bechin article. This editorial is obviously connected with Molotov's open letter confessing to ideological error, which appears in the same issue of Kommunist. In the course of emphasizing the need to avoid stereotyped dogmatism, and the need for greater flexibility and realism in interpreting Communist theory, the editorial sharply criticizes certain Soviet economists who have tried to prove that the "self-strangulation" or collapse of capitalism is automatic and inevitable. This dogmatic approach "has led to the denial or ignoring of the capitalist countries' attainments in production." The editorial urges economists to "judge accurately the real strength and possibilities of capitalism."

5. Mr. Bechin's article seems primarily an attempt to explain why a major economic depression has not already occurred in the West, although ten full years have passed since the end of World War II. He feels that three basic factors have stimulated production and postponed the beginning of a major depression in the United States thus far: the expansion of military production since the start of the Korean war, the large overseas markets available to the United States after 1945 as a result of wartime devastation in Europe, and the large investment needs of American industry which had accumulated during the war years of maximum emphasis on production and minimum attention to replacement of worn out equipment and facilities.

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6. Mr. Bechin then presents his thesis that these special conditions are now coming to apply less and less to the American economy, and their diminishing effectiveness may result, even "within a few months," in a crisis of overproduction, which in turn could have repercussions in other capitalist countries and cause the beginning of a world-wide depression.

7. A final point of interest in Mr. Bechin's article is that he indicates Soviet economists are not in complete agreement on the definition and analysis of industrial cycles in capitalist countries. He emphasizes that further study of capitalist economies is necessary, and should proceed not from dogmatic, "abstract assumptions," but from the analysis of concrete information concerning capitalism. Although this approach pays lip service to the same philosophy used by the Kommunist editorial which implicitly criticized Molotov, Bechin's analysis of the economic crisis facing capitalist nations seems no less dogmatic than many earlier analyses.

8. Since at least 1949, Soviet foreign policy has apparently not been heavily influenced on a short-term basis by predictions of its economists that economic collapse in the West was imminent. Communist dogma does assume that such a collapse will ultimately occur, however, and the regime may well seriously regard this as one factor tending to improve its relative power position over the long run. Also, the hypothesis can be argued that in the postwar years prior to 1949 the top Soviet leaders actually did believe a major depression in the West was imminent, and that this was at least a minor element in their decision to discontinue the degree of co-operation with the West which pertained during the war and undertake a relatively aggressive foreign policy. Prior to 1949 the speeches and writings of Soviet leaders, as well as lower-level economists, often contained references to the imminent collapse of capitalism. Such statements have been made somewhat less frequently since 1949, and have been much less precise.

9. Furthermore, during the early postwar years, the power and prestige of the two Politburo members A. A. Zhdanov and N. A. Voznesenski was at its height. These individuals can be tentatively identified with the view that the Soviet Union was very strong and rapidly growing stronger, and therefore should pursue ambitious goals both internally and externally. A logical concomitant to this is the belief that a major depression would soon come in the West, resulting in a further relative increase of strength for the USSR.

10. One of the best known Soviet economists, Eugene Varga, wrote a book shortly after the war which concluded that a serious depression in the West (as distinct from a recession)

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might not occur for ten years or so. During 1947 and 1948 Varga was harshly criticized by other Soviet economists, obviously with the blessing of the regime. In early 1949 he was finally forced to disavow many of the positions which he had advocated in his book, but even then he did not explicitly state that he now believed a crisis would occur in the near future. Although Varga did not recant until after Zhdanov died and Voznesenski was removed from the Politburo, the length and bitterness of the debate on his book strongly suggests that the imminence of capitalism's downfall was a question of immediate and current importance to the regime in those years.

11. There are signs that the USSR is currently making serious efforts to improve the quality of its analyses of capitalist economies, and in the future such analyses may become less dogmatic and more useful to Soviet policy makers. This year a separate institute for studying capitalist economies has been re-established in the Academy of Sciences. One had existed prior to 1948 under the leadership of Varga, but it was merged with the Institute of Economics following Varga's "heresy." Furthermore, the currently emphasized line that further study of capitalist economies is necessary, and should proceed not from dogmatic "abstract assumptions" but from detailed knowledge of factual information concerning capitalism, may result in more realistic analyses.

12. A more detailed study of Soviet views on the strengths and weaknesses of the capitalist economies is presently under way in OCI. This memorandum should therefore be regarded as a preliminary evaluation specifically of Mr. Bechin's article.

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